

Message Text

LIMITED OFFICIAL USE

PAGE 01 LISBON 00461 181048Z
ACTION EUR-12

INFO OCT-01 ISO-00 ABF-01 FS-01 OPR-02 FRB-03 XMB-02
CIAE-00 INR-07 NSAE-00 /029 W
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P 180949Z JAN 77
FM AMEMBASSY LISBON
TO SECSTATE WASHDC PRIORITY 9847
DEPT OF TREASURY PRIORITY

LIMITED OFFICIAL USE LISBON 0461

TREASURY FOR DONALD SYVRUD

E.O. 11652: N/A
TAGS: EFIN, ECON, PO
SUBJECT: ESCUDO RATE BEGINS TO MOVE

1. BANK OF PORTUGAL HAS PERMITTED THE ESCUDO TO DEPRECIATE
AT A FAIRLY STEADY, RAPID RATE DURING PAST TWO WEEKS. DAILY
BUYING RATE FOR CHECKS HAS MOVED FROM ESCUDO 31.29 PER DOLLAR
ON JANUARY 4, TO 32.01 PER DOLLAR AT MARKET'S CLOSE ON
JANUARY 17, A DECLINE OF 2.2 PERCENT IN ESCUDO TERMS.

2. COMMENT: BANK OF PORTUGAL HAS ADMITTED ON SEVERAL OCCASIONS
THAT IT DISLIKES USING THE CRAWLING PEG AS A MEANS TO
DEPRECIATE THE ESCUDO. IT BELIEVES THAT THIS PROCEDURE
WILL, AS IT DID IN THE FIRST HALF OF 1976, GENERATE SIZABLE
LEADS AND LAGS THAT TEND TO AGGRAVATE PORTUGAL'S BALANCE OF
PAYMENTS DEFICIT. ON THE OTHER HAND, OTHER GOP AUTHORITIES
FEAR THAT A SINGLE LARGE DEVALUATION WOULD GIVE RISE TO
STRONG POLITICAL OPPOSITION. APPARENTLY GOP HAS DECIDED
ON A COMPROMISE SOLUTION THAT PERMITS A RATHER FAST CRAWL
WHICH WOULD QUICKLY ACHIEVE A SIGNIFICANT DEVALUATION.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: REPORTS, CURRENCY CONTROLS, BANKS, FINANCIAL PROGRAMS
Control Number: n/a
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Sent Date: 18-Jan-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
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Disposition Reason:
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Litigation Codes:
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Office: ACTION EUR
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Original Previous Classification: n/a
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